



## **MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK**

For the meeting held on  
Wednesday, April 1, 2009 -- 1:30p.m  
980 9th Street, Suite 900  
I-Bank Conference Room  
Sacramento, California 95814

Chairman Brian McGowan called the meeting of the California Infrastructure and Economic Development Bank (I-Bank) Board to order at approximately 1:30 p.m.

### **1. Call To Order and Roll Call.**

The following Board members were in attendance:

Brian McGowan represented the Secretary of the Business, Transportation and Housing Agency.

Tom Sheehy represented the Director of the Department of Finance.

Francisco Lujano represented the State Treasurer.

Fred Aguiar, Secretary of the State and Consumer Services Agency.

D. Everett Rice, Governor's Appointee.

The following I-Bank staff members were in attendance:

Stan Hazelroth, Roma Cristia-Plant, Molly Arnold, Diane Cummings and Paula Connors.

### **2. Executive Director's Report.**

Executive Director Stan Hazelroth welcomed Brian McGowan and Fred Aguiar. During the meeting, Ms. Arnold stated for the record that a copy of the Bagley-Keene Act has been provided to the new board members.

Executive Director Stan Hazelroth reported the following to the Board:

- At the request of board members, staff has undertaken an effort to be more responsive to the current economic environment and undertaken an initiative to articulate and clarify I-Bank statute and policies defining the economic development benefits of I-Bank projects in an effort to provide more definitive analysis of the potential economic and community impacts of the projects the I-Bank Board considers and approves. The goal is to systematically develop an approach that can be adapted to I-Bank bond and loan projects, rather than all development in general. In the short term, staff is analyzing current best practices to identify the best and most applicable indicators, and projects to begin implementing changes to staff reports by the May Board meeting to provide a more complete picture of the economic impacts of I-Bank projects. In the long term, staff will identify potential modifications to adopted program policies. The amendment process involves more steps to ensure consistency with I-Bank statute and related legislation.
- He traveled to Washington D.C. on two occasions to assist with the structuring of the National Infrastructure Bank using the I-Bank as a model, and has spoken with Building America's Future staff who have identified several infrastructure multipliers that measure the impact of infrastructure investment, which data will also aid staff in defining the economic development benefits of I-Bank projects.
- On February 17<sup>th</sup> President Obama signed the American Recovery and Reinvestment Act (ARRA) of 2009, an act that establishes and expands financing options available to

governmental entities. The ARRA has been described as the most far-reaching change to public finance law in decades. Staff has been studying the ARRA to determine the impacts it will have on the I-Bank. Mr. Hazelroth provided the staff report with a brief summary of Build America Bonds, two new categories of Recovery Zone Bonds, School Credit Bonds, Qualified Energy Conservation Bonds, provisions that Broaden the use of or increase the volume cap of bonds the I-Bank currently issues, and other technical changes expected to improve the marketability of I-Bank bonds issued in 2009 and 2010.

- An update on the bankruptcy proceeding for conduit bond borrower COPIA: The American Center for Wine, Food and the Arts.
  - On February 27, 2009, the proposed settlement between the debtor, COPIA, and Bank of New York Mellon Trust Company, the trustee for the I-Bank's 2007 COPIA Bonds and ACA Financial Guarantee, the insurer for those bonds was heard.
  - Before the court issued its decision on that settlement proposal, COPIA withdrew it and proposed an alternative settlement. The new proposal involves an agreement between COPIA and COPIA Claims, LLC, the claims trading company that had objected to the proposed settlement between COPIA, BNY and ACA.
  - If the newly proposed agreement with COPIA Claims LLC is approved, COPIA will receive \$1,350,000 from COPIA Claims, and COPIA Claims will be granted the authority to raise a "Fraudulent Transfer Claim" as COPIA's representative. This fraudulent transfer claim, in sum, is that the 2007 refunding of the 1999 Bonds was technically flawed and that the refunding escrow established for the 1999 bondholders should be made part of COPIA's bankruptcy estate. In the event COPIA Claim's Fraudulent Transfer Claim is successful, COPIA Claims will recoup its \$1,350,000 and its portion of the bankruptcy estate (which would presumably be increased by the amount of the returned 1999 escrow).
  - The I-Bank has received a copy of the complaint COPIA Claims asserts it will file if permitted to do so by the Court. We are reviewing it and will soon be in discussions about it with the Attorney General's Office.
  - The court is scheduled to consider this new settlement proposal on April 10. If the court authorizes COPIA Claims to bring this fraudulent transfer claim, we will schedule a closed session meeting to discuss how to proceed at the next meeting of this board.
  - COPIA is the only conduit revenue bond default the I-Bank has experienced, and at \$77 million, the transaction only constitutes 0.2% of the I-Bank's portfolio.

### **Consent Items:**

#### **3. Approve minutes from the meeting held on February 24, 2009.**

Chairman McGowan called for questions or comments from the Board and the public. Hearing none, he entertained a motion to approve this consent item. Mr. Sheehy moved to approve the minutes and Mr. Lujano seconded the motion. The minutes were approved by all, except Mr. Aguiar, who abstained.

**Action Items:**

- 4. A resolution approving the sale, issuance and delivery of tax-exempt 501(c)(3) revenue bonds for Casa Loma College in an amount not to exceed \$6,000,000 to finance an economic development facility in Van Nuys, California.**

Ms. Connors presented a staff report describing the request to finance up to \$5,760,000 in tax-exempt industrial development revenue bonds for Casa Loma College to be used to acquire, remodel and develop property at a new location on 6527 Kester in Van Nuys, California. She explained the project consists of the acquisition of 2.58 acres of property with a 26,000 square foot building, renovation and possible equipping of the classrooms, and that project will more than double the size of the College's current training facility, and create 11-15 new teaching, tutoring and administrative jobs over the next two years. Ms. Connors reported that Casa Loma College was founded in the late 1960's and provides training for occupations in the healthcare field, including medical assistants, sonogram and MRI technicians, and medical insurance and billing, and noted the College participates in welfare-to-work programs and its overall job placement rate for graduates is around 85%.

Ms. Connors then introduced Dan Bronfman, Financial Advisor representing Casa Loma College.

Chairman McGowan called for questions or comments from the Board or public. Hearing none, he entertained a motion to approve Resolution 09-12. Mr. Sheehy moved to approve the resolution and Mr. Aguiar seconded the motion. The Board unanimously approved the resolution.

- 5. A resolution approving Infrastructure State Revolving Fund Program financing for the City of Porterville in an amount not to exceed \$6,757,500 to finance a public development facility in the City of Porterville known as the Eastside Water Improvement Projects.**

Ms. Cummings presented a staff report describing the project includes the construction and installation of pipelines, booster pumps and storage reservoirs, as well as well pump equipment and accessories in various locations in the City of Porterville. The projects are consistent with recommendations in the city's Water System Master Plan to meet maximum daily demand plus an additional supply for standby purposes and water protection, will help correct the water deficiency the City currently faces, and are necessary to support the economic growth discussed in the city's economic development element to its General Plan. Ms. Cummings then introduced Baldo Rodriguez, the City Public Works Director, Mike Reed, City Engineer, and Brian Stiles, City Field Services Manager.

Chairman McGowan called for additional questions or comments from the Board and the public.

Mr. Rodriguez answered questions from Mr. Lujano confirming that water fee revenues are based on existing users, and stated that fee increases are based upon Council actions and that there are no automatic increases. Ms. Cummings confirmed for Mr. Sheehy that the projected loan repayment coverage ratio for the next fiscal year is 1.75 times without connection fees and

2.77 times with the connection fees. In response to another question from Mr. Sheehy regarding how drought will affect the availability of water, the repayment of the loan, and how dependent the loan repayment is on customer growth, Mr. Rodriguez stated that the City has sufficient water supply for the foreseeable future despite the drought and confirmed that repayment ability is not dependent upon customer growth.

Chairman McGowan called for additional questions or comments from the Board and the public. Hearing none, he entertained a motion to approve Resolution No. 09-13. Mr. Aguiar moved to approve the resolution and Mr. Lujano seconded the motion. The Board unanimously approved the resolution.

**Other Non-Action Business.**

Chairman McGowan called for any other business; there was none.

**Public Comment.**

Chairman McGowan called for any public comment; there was none.

**Adjournment.**

Chairman McGowan declared the meeting adjourned at approximately 2:00 p.m.